

John M. Christenson
Asst VP, Associate General Counsel
Office of General Counsel
Voice/TDD: 800/356-2644 ext. 7039
FAX: 608-236-8098
E-mail Address: john.christenson@cunamutual.com



CUMIS Insurance Society, Inc.

AUG23:05 AM 7:53 BOARD

August 18, 2005

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

**Re: Proposed Amendments to 12 CFR Parts 713 and 741; Fidelity Bond
and Insurance Coverage for Federal Credit Unions**

Dear Ms. Rupp:

By letter dated July 22, 2005, CUNA Mutual Group had previously provided the NCUA with our comments on the above subject matter via overnight delivery. In reviewing the NCUA's website, it appears as though these comments have not been posted. In the event these comments were not received by the NCUA, enclosed please find an additional copy.

Again, CUNA Mutual Group appreciates the opportunity to comment on these proposed rule changes.

Sincerely,

A handwritten signature in black ink, appearing to read "J M Christenson", written over a light blue horizontal line.

John M. Christenson
Assistant Vice President & Associate General Counsel

JMC:cmm

John M. Christenson
Asst VP, Associate General Counsel
Office of General Counsel
Voice/TDD: 800/356-2644 ext. 7039
FAX: 608-236-7039
E-mail Address: john.christenson@cunamutual.com



CUMIS Insurance Society, Inc.

July 22, 2004

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

**RE: Proposed Amendments to 12 CFR Parts and 741; Fidelity Bond
and Insurance Coverage for Federal Credit Unions**

Dear Ms. Rupp:

The companies of the CUNA Mutual Group ("CUNA Mutual") are pleased to provide comments on the National Credit Union Administration's ("NCUA's") proposed amendments to 12 CFR Parts 713 and 741 relating to Fidelity Bond and Insurance Coverage for Federal Credit Unions. CUNA Mutual is the leading financial services organization serving credit unions and credit union members in the nation today. Our sole mission is to create financial security for both credit unions and credit union members. We thank you for this opportunity to comment on these proposed amendments.

NCUA is proposing to increase the maximum allowable deductible for fidelity bond coverage required under 12 CFR Part 713 for credit unions that qualify under the NCUA's Regulatory Flexibility Program, from a maximum of \$200,000 to up to a maximum of \$1,000,000. CUNA Mutual generally agrees with the NCUA's view that well run credit unions with substantial net worth are in a position to absorb risk in excess of \$200,000, and supports this proposed change.

NCUA is also proposing to increase the minimum fidelity bond coverage required under Part 713. CUNA Mutual also generally agrees that this proposed amendment properly reflects the fact that the risk environment in which credit unions operate has increased since the current minimums were first put in place. However, it is on the point that CUNA Mutual feels is important to comment further.

The NCUA requirements regarding insurance under 12 CFR Part 713.3 have always been limited to the fidelity risks of fraud and dishonesty by employees, directors, officers and volunteers. As has been pointed out by other commentators on these proposed amendments, in today's world the risk exposures facing credit unions, like all financial

institutions, are much broader than these traditional fidelity risks. In particular, credit unions face growing liability exposures which may pose equal, if not greater, risk to the safety and soundness of credit unions than traditional fidelity exposures.

For example, liability exposures surrounding privacy issues have increased for all business in today's e-commerce environment. Additionally, as credit unions become more involved in providing fee based services to their members, professional liability exposures are increasing as well. In our experience, by talking about insurance coverage solely in terms of the bond, credit unions are left with the misperception that the bond "covers everything." We are concerned that by continuing to focus solely on fidelity exposures covered under the basic fidelity bond, the NCUA rules may perpetuate this misperception.

We would encourage the NCUA to consider whether it may be appropriate in today's environment to look more broadly at the risk exposures facing credit unions to ~~determine whether to broaden the scope of required insurance coverage.~~ CUNA Mutual would be very interested in participating in further dialogue on this issue, and in providing the NCUA with any insight we might have from our perspective as the leading provider of insurance and risk management services for credit unions.

Again, we thank you for the opportunity to comment on these proposed amendments. If the NCUA staff has any questions regarding our comments, or if we can be of further assistance, please do not hesitate to contact us.

Sincerely,

15/

John Christenson
Assistant Vice President & Associate General Counsel

JMC:cm